LOGISTEC

managing economic imbalance efficiently

2003 Annual Report

our mission

Logistec provides high-quality, specialized cargo handling and other services to its marine and industrial customers through the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities. Logistec will maximize shareholder value through its focus on customer service, operational excellence and a commitment to growth.

activities

Logistec provides specialized services to the marine community and industrial companies. Services include:

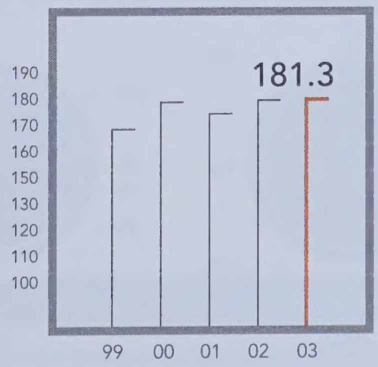
- Cargo handling at 23 ports in Eastern Canada, the Great Lakes and the U.S. East Coast;
- Agency services to foreign shipowners and operators serving the Canadian market;
- Marine transportation services geared primarily to the Arctic coastal trade; and
- Management of PCBs, site remediation, risk assessment and rehabilitation of underground pipes and aqueducts.

A public company since 1969, Logistec Corporation's shares are listed on the Toronto Stock Exchange under the symbols LGT.A and LGT.B.

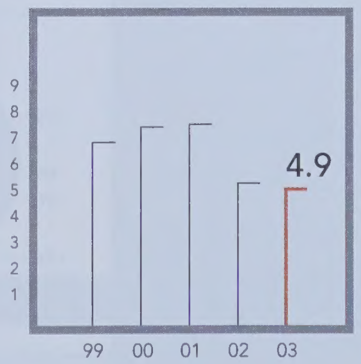
Financial Highlights

(in thousands of dollars, except where indicated)	2003	2002	2001	2000	1999	Variation 02-03	Variation 99-03
Financial Results							
Revenue	181,343	179,854	172,662	177,462	167,473	1 %	8 %
Net income	4,935	5,342	7,218	7,177	6,738	(8) %	(27) %
Financial Position							
Total assets	119,876	111,255	111,548	108,504	101,188	8 %	18 %
Working capital	16,962	11,742	16,958	15,698	9,409	44 %	80 %
Long-term debt	15,419	6,553	9,652	14,533	16,368	135 %	(6) %
Shareholders' equity	68,275	67,496	64,165	57,325	51,333	1 %	33 %
Per Share Information							
Net income ($)	0.74	0.81	1.10	1.09	1.03	(9) %	(28) %
Shareholders' equity ($)	10.29	10.27	9.77	8.74	7.84	0 %	31 %
Outstanding shares (weighted average in thousands)	6,637	6,575	6,566	6,558	6,546		
Price of share as at December 31:							
Class A ($)	9.75	9.05	8.25	7.00	13.00		
Class B ($)	9.70	10.00	8.00	6.00	11.50		
Dividends per share							
Class A ($)	0.22	0.22	0.22	0.22	0.21		
Class B ($)	0.242	0.242	0.242	0.242	0.231		
Selected Ratios							
Return on average equity	7.27 %	8.11 %	11.88 %	13.21 %	13.79 %		
Net income / Revenue	2.72 %	2.97 %	4.18 %	4.04 %	4.02 %		
Long-term debt / Shareholders' equity	23 %	10 %	15 %	25 %	32 %		
Price of Class B Shares / Earnings	13.11	12.35	7.27	5.50	11.17		

Revenue
(millions $)



Net income
(millions $)



Great Lakes

1 Chicago
2 Churchill
3 Thunder Bay
4 Toronto

St. Lawrence

5 Contrecœur
6 Montréal
7 Valleyfield
8 Pointe-au-Pic
9 Québec
10 Sept-Îles
11 Sorel
12 Trois-Rivières

Atlantic Canada

13 Bayside
14 Halifax
15 Miramichi
16 Saint John
17 Sydney

U.S. East Coast

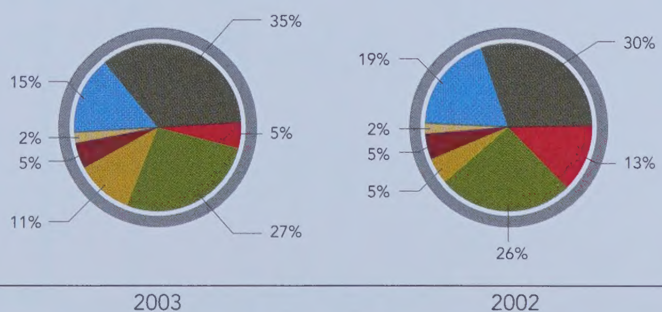
18 Baltimore
19 Bridgeport
20 Brunswick
21 New Haven
22 New London
23 Port Manatee

Stevedoring

For over 50 years, Logistec Stevedoring Inc. has provided cargo-handling services through a network of strategically located terminals at 23 North American ports. Our business in this sector includes the management and operation of terminals as well as stevedoring services, truck and railway car loading and unloading, warehousing and several other value-added activities. Capitalizing on customer service that is second to none, a team of qualified and experienced employees, an innovative labour relations approach, a constantly renewed equipment base, modern terminals and continuous access to inventory information, Logistec is committed to being a true partner for the transportation industry.

« Revenue »*

Forest Products
General Cargo
Containers
Fruit
Grain and Bagged Cargoes
Metals
Dry Bulk



** Percentages are based on approximations*

« forest products »

Forest products include such cargoes as newsprint, woodpulp, linerboard, paper products and lumber. Each of these commodities can be imported or exported and have different economic factors affecting each of them. These cargoes are handled in units such as rolls, pallets, bales, etc. The handling of these commodities is being done more and more on a distribution/load centre basis to be able to gain economies of scale through the purchase of specialized handling equipment and the ability to handle larger ships. Other port facilities are located near mill sites to reduce logistics costs.

There has been considerable consolidation in this market. Customers are frequently mills or producers exporting or importing these commodities. Customers demand greater efficiencies with zero tolerance to damages to cargo and faster turnaround times. They are looking at the door-to-door costs and ensuring a competitive supply chain. These products are very sensitive to world economic trends, which also affect whether the cargo is shipped Canada-U.S. using inland transportation means or via ship.

Highlights:

--> Maintained volumes at our eastern Canadian ports despite continued trend towards containerization.

--> Record volumes at BalTerm, L.L.P., our 50% joint venture in Baltimore (MD) that specializes in the handling of import woodpulp.

OUR SPECIALIZED FOREST PRODUCT PORT TERMINALS: BALTIMORE, BAYSIDE , BRIDGEPORT, BRUNSWICK, HALIFAX, MIRAMICHI, NEW HAVEN, NEW LONDON, POINTE-AU-PIC, PORT MANATEE, QUÉBEC, SAINT JOHN AND TROIS-RIVIÈRES.

« fruit »

Fruit products are, for the most part, palletized (or break-bulk) cargo transported to ports that are close to major markets. Within this market, cargoes include bananas, pineapples, grapes, melons, oranges, clementines, etc. Fruit cargoes require refrigerated warehouses and specialized handling equipment to preserve the good condition of this sensitive cargo.

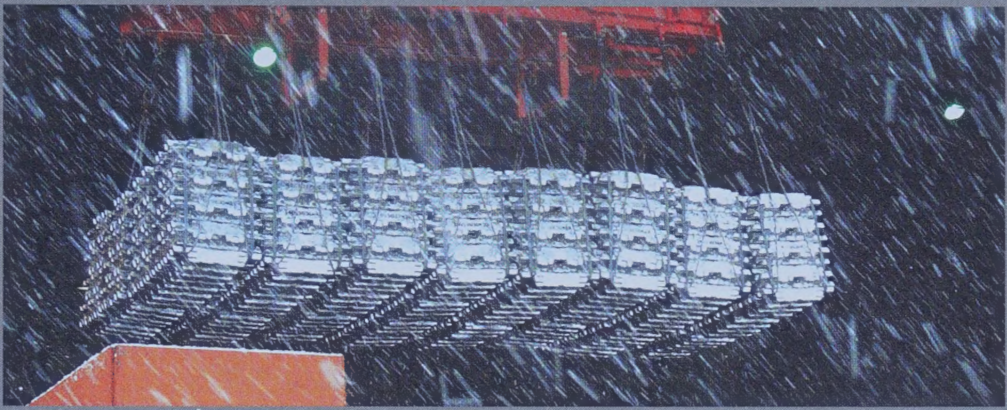
This market has few customers: It consists of large fruit producers/importers bringing their product from various locations across the world. Because of the nature of the product, it is a market that faces many political and health issues. Speed of delivery and quality control are key factors in handling this product.

Highlights:

--> New operation in Port Manatee (FL) for Del Monte Fresh Produce Company ("Del Monte").

--> Contract with Turbana Corporation in Bridgeport (CT) renewed in 2003.

OUR SPECIALIZED FRUIT PORT TERMINALS: BRIDGEPORT, MONTRÉAL AND PORT MANATEE.



« metals »

The metals market can be separated into the ferrous and non-ferrous and includes such commodities as steel products (coils, beams, plates, etc.), aluminum, and copper to name a few. There has been a major rationalization in this market and it has reduced the number of customers, who are mainly producers and importers.

This market requires specialized equipment to ensure high handling productivity and minimized damage to cargo. Key to this market is proximity to the final destination and to the importers who will ultimately use the product. Metals are dependent on the political environment (tariffs) and on the economic activity in the importing country.

Highlights:

--> Reduced volumes in our facilities due to economic environment and due to U.S. tariffs imposed on imported steel.

OUR SPECIALIZED METAL PORT TERMINALS: MONTRÉAL, CONTRECOEUR, NEW HAVEN, SEPT-ÎLES, TORONTO AND TROIS-RIVIÈRES.

« dry bulk »

Dry bulk is cargo that is usually loose and granular in nature. It can include any commodity that is stored in piles. This market includes commodities such as iron ore, coal, mineral concentrates, aggregates, salt, sugar, fertilizers and scrap metal.

Dry bulk requires high automation for a continuous flow of the product during its handling operation. High productivity and environmentally-friendly solutions are imperative. Terminals handling dry bulk cargoes must invest in equipment such as cranes, conveyors, loaders, and special warehouses depending on the type of cargo.

Our customers are industrial companies, some of which are involved in the processing and smelting of the raw material into a finished good. Each commodity has various drivers that affect its supply and demand requirements thereby affecting its transportation routes. Since most dry bulk cargoes are typically used for further refining or smelting, or as an additive in this process, customers are always looking for the most economical solution for bringing the material to their facilities.

Highlights:

--> Entered into the 1st year of a 10-year contract with Nova Scotia Power Inc. and invested $6.6 million in Sydney (NS) for facility improvements with an additional $1.8 million planned for 2004.

--> Acquired a mobile harbour crane in Montréal (QC) to increase the discharge/loading productivity.

--> Recently modernized the dry bulk handling facilities in Montréal (QC).

OUR SPECIALIZED DRY BULK PORT TERMINALS: BRUNSWICK, CONTRECOEUR, MONTRÉAL, SEPT-ÎLES AND SYDNEY.

« containers »

Containers are standard-size metal boxes that have been designed for easy and safe transportation of goods through various intermodal transport modes – ship, rail, and truck. The most common sizes are 20', 40', 45' and they can be standard boxes, open top, refrigerated, flat racks, or tank containers. The standard sizes permit specialized equipment such as trucks, gear, cranes and lifters to be specially designed thereby giving economies of scale and increased efficiency in the handling of containers.

Container ports must invest significantly in this specialized equipment such as portainers, transtainers, top-lifters, etc., in order to be efficient and competitive. Container ships are becoming increasingly large in size affecting in which ports they can load and unload their cargoes. Alliances between shipping lines are formed to stabilize volumes across trading routes and to increase the economies of scale on a ship and port basis.

Highlights:

--> Significantly reduced activity between March and December 2003 at Termont Terminal Inc. ("Termont"), our 50% joint venture at the Port of Montréal (QC) that specializes in container handling.

--> Signed an offer to renew the lease for our terminal at Termont for 20 years, positioning ourselves well for future business development.

--> Substantial increase in container volumes at our terminal in Saint John (NB).

OUR SPECIALIZED CONTAINER PORT TERMINALS: HALIFAX, MONTRÉAL AND SAINT JOHN.

« grain and bagged cargoes »

The Great Lakes area is a main centre of grain movements due to its proximity to the grain growers. Grain is transported by vessel or rail depending on the time of the year since that portion of the St. Lawrence Seaway is closed during winter months. Customers in this market are primarily the grain traders who purchase and sell grain depending on worldwide market demand. The ability to transport grain out of the Lakes economically and competitively is dependent on the steel products that the ships transport into the Lakes. Historically, the less steel there is, the less grain is shipped.

Grain is sent to elevators from which it is then loaded onto ships. Although grain handling requires little investment in equipment on behalf of the stevedore, the expertise required to load grain safely and securely is a necessity.

Highlights:

--> Reduced activity in the Great Lakes due in part to a poor crop at the beginning of the year and a reduction in import steel and thereby outbound vessel capacity, in the latter part of the year.

OUR SPECIALIZED GRAIN AND BAGGED CARGO PORT TERMINALS: CHICAGO, CHURCHILL, HALIFAX, MONTRÉAL, QUÉBEC, SOREL, THUNDER BAY AND TROIS-RIVIÈRES.

« general cargo »

General cargo encompasses, in essence, all cargoes that do not fit into any of the other market categories. It is a varied market which includes project cargo, railcars, helicopters, granite blocks, rubber, autos, tractors, windmills, etc. The customers in this market are varied and can be freight forwarders, shipping lines or their agents, brokers, or engineering firms.

General cargo especially project cargo requires special handling equipment and expertise. From the type of vessel used to the handling equipment, this cargo can be heavy, over-dimensional, palletized or rolling. Specialized vessels can be used such as RORO vessels, which have ramps in order to roll cargo on and off, or heavy-lift carriers with ship's cranes reaching capacities of 500 metric tonnes.

Highlights:

--> Agreement with the Toronto Port Authority to supervise the general cargo terminal operations at the port.

--> Continual growth in project cargoes in Halifax (NS).

--> Volumes were steady despite continued trend towards containerization.

« transport nanuk »

Transport Nanuk Inc. ("Transport Nanuk") provides vessel transportation and cargo consolidation services between St. Lawrence River ports and the Canadian Arctic, namely Nunavut and Nunavik. Cargo can be containerized or break-bulk. This service is offered through Nunavut Eastern Arctic Shipping Inc. ("NEAS") which is jointly owned with Inuit development companies.

NEAS operates two vessels, the "M/V Umiavut" and the "M/V Aivik", that perform these services between the months of July and November depending on the navigating conditions in the Arctic. This is a very specialized service. Besides being faced with unknown ice conditions and potential for severe weather, most of the villages in the Arctic do not have piers or warehouses. The cargo is unloaded onto flat barges, which are then pulled to the coast. Loaders then unload the flat barges and cargo is delivered directly to the customer's yard depending on the contract terms.

Highlights:

--> Transport contracts from the Nunavut government helped to increase revenue.

--> Each ship made three sailings thereby increasing overall volumes transported to the Arctic.

« agencies »

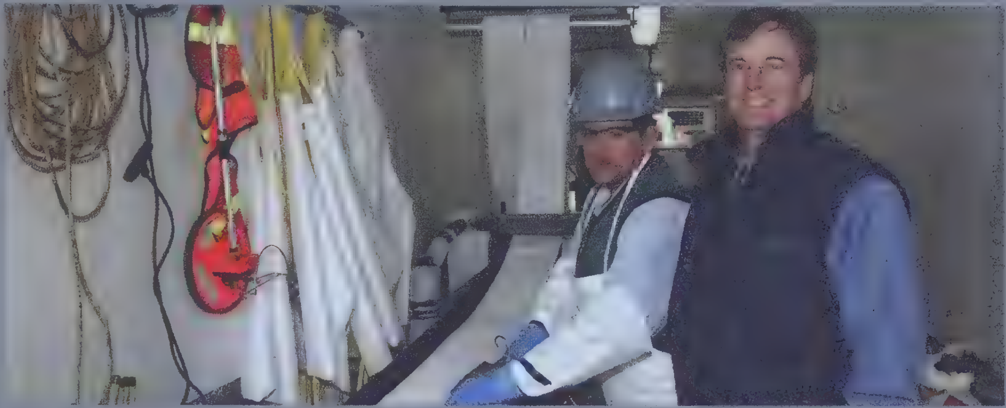
Logistec has three agency companies that provide services to shipowners and operators in Canada: Sorel Maritime Agencies Inc., Ramsey Greig & Co. Ltd., and Lakehead Shipping Company Limited. Our agency operations cover the entire St. Lawrence and Great Lakes region.

As ship agents for vessel owners and charterers, our agency companies have the responsibility of ensuring that all aspects of a vessel's port call proceed efficiently and cost-effectively. Vessel services provided by agents can include completing all government entry formalities with Canadian Customs, Immigration, Coast Guard, Oceans and Fisheries Canada, Agriculture and Environment as well as assisting vessel owners with ships' crew medical and repatriation, vessel repairs, ship spares deliveries, bunkering and supply of fresh water and any other husbandry matters.

Customers' ships can be bulk carriers, tankers, general cargo vessels, tug-barge combinations and cruise vessels.

Highlights:

--> Maintained performance despite decreases in steel and grain volumes.



« sanexen »

Sanexen Environmental Services Inc. ("Sanexen") is a service company specializing in PCB waste management, site remediation, water treatment, risk assessment, as well as the rehabilitation of underground water infrastructures using technologies that allow for minimal excavation.

Sanexen offers industrial companies PCB management services that include identification, packaging and handling, transportation, treatment, and elimination. In addition, Sanexen has the equipment and expertise to handle various projects for water treatment, risk assessment, and site remediation.

Aqua-Pipe™ is Sanexen's technology for the rehabilitation of underground water pipes. This product is inserted into a damaged pipe and is an alternative to replacing the pipe. It structurally rehabilitates water mains of specific dimensions.

Highlights:

--> Increased penetration of the Aqua-Pipe™ technology with contracts in Quebec and Ontario.

--> Continued strong performance from the traditional services.


managing economic imbalance
efficiently

<-- Madeleine Paquin, President and Chief Executive Officer

WHILE IT'S TRUE THAT LOGISTEC CORPORATION'S BUSINESS IS DRIVEN BY INTERNATIONAL SHIPPING TRENDS IN CANADA AND THE UNITED STATES, 2003 WAS DEFINITELY HIT BY A NUMBER OF DISRUPTIVE EFFECTS. THE GREAT VOLATILITY OF THE CURRENCY MARKET, THE IMPACT OF THIS INSTABILITY ON THE COMPETITIVENESS OF CANADIAN AND U.S. MANUFACTURING COMPANIES, A SHARP RISE IN EXPORTS FROM CHINA AND INDIA, AN INCREASE IN ENERGY AND TRANSPORTATION COSTS, ARE JUST SOME OF THE MANY FACTORS THAT HAD A MAJOR IMPACT ON TRADE WORLDWIDE.

HOWEVER, NONE OF THIS HAD A SIGNIFICANT IMPACT ON LOGISTEC'S PERFORMANCE OVER THE PAST YEAR AS THE GEOGRAPHIC SCOPE OF OUR NETWORK OF PORT FACILITIES, THE DIVERSIFICATION OF THE BUSINESS SECTORS WE SERVE, AND THE WELL-BALANCED MIX OF IMPORT AND EXPORT CARGO ENABLE US TO OFFSET THE IMPACT OF UPS AND DOWNS IN INTERNATIONAL TRADE AND HELP US EFFICIENTLY MANAGE ECONOMIC IMBALANCE.

In 2003, our financial performance was affected by factors that were either political – the tariffs on steel imports imposed by the U.S. government in 2002 – or one-time – the loss of our Montréal container terminal's main customer in early 2003. Despite these factors, we nonetheless made substantial progress by strengthening our terminal operations as well as our other marine and environmental services. A new terminal was added to our network and our other facilities were further improved and modernized. These achievements failed to offset the impact of the lower volumes of steel and containers handled however, so we closed fiscal year 2003 with a decline in net earnings, even though consolidated revenue rose slightly.

However, we are delighted that U.S. steel import tariffs were lifted at the end of 2003 and potential customers have shown interest in using our Montréal (QC) container terminal as of May 2004. The adaptability shown by our Company in 2003 and its ability to meet challenges and take advantage of opportunities encourage us to remain focused on strengthening our operational know-how in order to meet the growing needs of our long-time customers and new customers alike.

Logistec has always aimed to increase shareholder value by capitalizing on the implementation of its strategic plan of growth and operational excellence. We are also committed to achieving this objective by building on the core values and sound corporate governance practices underpinning our corporate culture. In January 2004, we were therefore proud to earn a Korn/Ferry – Revue Commerce award for excellence in corporate governance. This recognition is a tribute to our commitment to transparency, fair and full disclosure and the respect of all our shareholders. Your Board of Directors intends to uphold exemplary standards in regard to corporate ethics and to continue promoting the values that underlie a strong business model.

2003: Strategic and Operational Developments

Two important strategic initiatives were made during the past year:

--> Following the conclusion of a 10-year agreement with Nova Scotia Power Inc. at the end of 2002, Logistec acquired its handling facilities in Sydney (NS) and overhauled them at a cost of $15 million. A sub-contract was also awarded to Quebec Railway Corporation Inc.

<-- John Springer, Chairman of the Board

("QRC") through Sydney Coal Railway Inc., its newly-formed wholly-owned subsidiary. A founding shareholder of ("QRC"), Logistec today holds a 16% interest. All in all, the outsourcing agreement with Emera Inc. and Nova Scotia Power Inc. involves the handling of some two million tonnes of coal at the Port of Sydney (NS), as well as its transportation to two critical power plants in Cape Breton (NS).

--> We also initiated a new three-year agreement with Del Monte to handle all its fresh fruit cargoes in Port Manatee (FL). This addition to our U.S. network is one of the largest of Florida's 14 deepwater ports as well as Del Monte's largest port facility in the United States. While the start-up was challenging because of the short timeframe, we successfully mobilized the employees and set up the required equipment to deliver a solid operational performance. In the second half of the year, we managed to attract a second customer to our Port Manatee (FL) terminal.

We are also very pleased with the considerable improvement in performance by both our marine transportation and environmental services in 2003.

In marine transportation, the signing of several Government of Nunavut transportation contracts yielded a 40% revenue growth. The two vessels operated by NEAS each had three sailings and despite the harsh weather conditions in the Arctic this year, we were happy with the operational and financial performance achieved.

Due especially to the contribution of its new Aqua-Pipe™ technology, results also improved at Sanexen in 2003. This technology was successfully used in Quebec and Ontario where some 50 kilometres of pipes were installed to repair the structure of underground aqueducts with minimal excavation. Sanexen's other operations, namely PCB management, environmental risk analysis and site restoration also performed well.

We are convinced that our business will benefit in 2004 and beyond from initiatives taken in 2003, as we have:

--> Enhanced operational logistics at the Port of Sydney (NS) by investing capital in an existing facility. That will lead to faster unloading times, more environmentally-friendly coal handling, more efficient transhipment, and the elimination of double-handling on the ground.

--> Improved the unloading of raw sugar and ore concentrates in Montréal (QC), by investing in a new crane and a new conveyor system to haul cargo into warehouses. These capital expenditures will benefit both customers and Logistec itself by speeding up unloading times and cutting direct costs per tonne handled. Our new ore concentrate terminal is the most environmentally-friendly facility in Eastern Canada.

--> Increased the capacity and quality of inbound forest products-handling operations by boosting our warehousing capacity and services management in Baltimore (MD).

--> Renegotiated two long-term leases with the Port of Montréal (QC): one at the container terminal we operate with our U.S.-based partner Cerescorp Company, and the other at our bulk-cargo facility in Contrecoeur (QC).

Outlook

With the recent lifting of U.S. tariffs on steel imports and potential customers' interest in our container terminal in Montréal (QC), we can look forward to a gradual improvement in profitability in the coming year and our ability to create value for our shareholders. To meet our customers' expectations and because it is key to our long-term success, we will maintain our conservative capital investment strategy and continue to strive for operational excellence in order to maximize our productivity while minimizing operating costs at all our terminals. Clear, focused objectives, together with effective action plans and control measures, will enable us to continue optimizing efficiency while achieving operational excellence and economies of scale, improving labour relations, and developing skills and customer relations.

The outlook for Transport Nanuk is also positive for 2004. We have successfully increased our market share in the transportation of merchandise to Arctic communities and are expanding the scope of our services to handle crating and containerization. Both services have been well received by customers and our commitment to growing our business based on a serious analysis of their needs gives us excellent leverage for sustainable growth.

Sanexen also expects to have a good year in 2004. The subsidiary benefited from its highly successful aqueduct rehabilitation operations in 2003, and this trend is likely to hold as aqueducts throughout North America are in a sad state of disrepair. Our new technology can be used to repair them efficiently with minimal inconvenience for the local population. Sanexen's traditional business, namely PCB management and site remediation, should also continue to perform well.

AS A SERVICE COMPANY, LOGISTEC IS COMMITTED TO PROVIDING OUTSTANDING CUSTOMER SERVICE. TO CONTINUE EXCELLING IN THIS VITAL AREA FOR OUR FUTURE, WE WILL MAKE FURTHER INVESTMENTS IN TRAINING OUR HUMAN RESOURCES WHO REMAIN, WITH OUR CUSTOMERS, THE SUREST GUARANTEES OF SUSTAINABLE AND PROFITABLE GROWTH THAT IS SATISFACTORY TO ALL.

John Springer
Chairman of the Board

Madeleine Paquin
President and
Chief Executive Officer

February 24, 2004

« management's discussion and analysis »

The Company's Operations

Logistec Corporation and its subsidiaries (the "Company") are involved principally in providing marine services to industrial and shipping companies. Marine services consist mostly of cargo handling (stevedoring) and terminal operations, and account for approximately 86% of consolidated revenue. Other marine services include coastal transportation of cargo to Canadian northern communities and agency services to foreign owners and operators of vessels operating in Canadian waters. A subsidiary company, Sanexen Environmental Services Inc. ("Sanexen"), is active in the environmental industry, specializing in PCB management, site restoration, environmental risk analysis, and underground water pipe refurbishing (Aqua-Pipe™ technology).

With a presence in 23 ports located in eastern North America, our Company specializes in handling all types of dry cargo, including bulk, break-bulk and containers. Cargoes handled typically include forest products, metals, dry bulk, fruits, grain and bagged cargoes, containers, and general cargo.

We have adopted a strategy of diversification: our operations cover a wide geographic area with a diverse cargo mix and a blend of import-export activities. This strategy helps minimize the impact of any negative situation affecting one particular region or cargo type.

We aim to be the provider of choice in handling cargoes for shipowners and operators as well as industrial clients. Our mission statement includes the following:

"Logistec will maximize shareholder value through its focus on customer service, operational excellence, and a commitment to growth. Our experienced and competent staff, together with our strategic network of terminals and specialized equipment, allow us to carefully, efficiently and expeditiously handle cargo for our customers."

Our extended network of port terminals allows us to specialize our facilities to provide for the different ways that bulk and break-bulk, such as steel, forest products, or other commodities are handled. This specialization fosters competitive advantage and enhances operating efficiencies through lowering the risk of cargo damage and ensuring better control over costs.

While we continually seek ways of increasing the volumes handled by our existing operations, our growth strategy is also based on acquisitions. Throughout the Company's history, development and consolidation phases have alternated and complemented each other. Management is always seeking new business opportunities, studying several projects in depth each year.

The evaluation criteria are very strict, in order to meet our goal of improving shareholder value. A possible new acquisition has to complement and integrate well with the existing network. Also, projects are evaluated on the basis of the net present value of expected future cash flows to meet specific internal rates of return.

Performance

Three main factors

Our people

Logistec's people are key to its ability to perform. Operations are managed by the Company's staff in all ports where we operate. This staff is composed of experienced professionals who constantly strive for operational excellence in both the loading and discharging of vessels, as well as cargo handling on the terminal. In total, the Company employs 558 people (322 in Canada and 236 in the United States). This number can easily exceed 1,000 on any given day if the daily complement of longshoremen is included.

Most of the longshoremen employed by the Company are unionized. The longshoremen working on the docks have a long history of union activity, and we have proven in the past our ability to negotiate directly or through employer associations and come to agreements with these unions. In this regard, in 2003, we successfully negotiated collective agreements in four ports: Saint John (NB), Halifax (NS), Québec (QC) and our new installation in Port Manatee (FL). There were no labour disturbances associated with any of these negotiations. Negotiations for 2004 will take place in Montréal (QC), Sorel (QC), Pointe-au-Pic (QC) and Sydney (NS).

It is interesting to note that in Canada, in the large port facilities where we operate (Montréal (QC), Saint John (NB) and Halifax (NS)), the unions have geographic certification and are therefore contracted by an association of employers. Although this does add complexity, it has the advantage of labour not being a fixed cost, as labour is only called when there is work. When there are no vessels in port, there are generally minimum labour costs. On the other hand, labour is shared and therefore cannot become a competitive differentiator inside the port environment.

Equipment

A well-managed equipment stock is a critical element of our performance. The right equipment, in good working order, specialized for the type of cargo to be handled, allows us to load or unload ships faster. As ship costs are very expensive, a shorter docking time increases customer satisfaction. Furthermore, as our rates are usually based on volume, faster loading or unloading of ships reduces our costs which are based on hourly rates, hence improving our profitability.

We spend between $25 million and $29 million a year to keep our equipment and facilities in top working condition. Of this, between $7 million and $9 million per year is invested in the replacement of property, plant and equipment such as cranes, loaders, lift trucks, conveyors, gears, etc. and is recorded as capital expenditures, and we spend between $18 million and $20 million annually for equipment maintenance and repair.

Port Facilities

Another critical factor in our success is access to port facilities. We lease most of the sites where we operate as well as a majority of the sheds that we use. Most of our sites are under long-term leases, permitting us to invest in the proper set-up on the sites. In some ports, we have the possibility of adding covered or uncovered storage on a short-term basis to accommodate occasional volume fluctuations. The rent may be a fixed monthly charge, a throughput fee based on volumes, or a combination of both.

Over the years, our Company has built a solid reputation with the various port authorities because we have high maintenance and operating standards and install high-performance equipment. In total, we spend approximately $25 million annually in rent charges and related expenses (real estate taxes, terminal maintenance and electricity).

Tracking Performance

In order to track our performance, we have implemented an accounting system that produces monthly financial statements by port. For each of our operating centres, we produce a monthly statement of earnings that details revenue, direct and indirect labour costs, equipment costs, rent charges, and administrative costs. Sites are grouped under four regions, each being the responsibility of a regional vice-president. This structure provides a tight control over results and a quick identification of trends.

In addition to the accounting system, we use a costing system that tracks each type of revenue, expense,

and volume per ship. This database can also be used to generate reports by other groupings, such as by port, by commodity, or by client.

We closely follow certain statistics that are particularly revealing. The first is the labour ratio (direct labour costs over revenue), which indicates the efficiency of labour. Any variance with our estimates will quickly indicate if problems occured during operations, and corrections can therefore be made. This ratio will vary depending on the nature of the goods handled and the quantity of equipment used.

A second important indicator is the tons-per-hour-handled ratio. This ratio gives an appreciation of the speed of the process and of the performance of the equipment.

Finally, we monitor the return on assets for each of our cost centres (earnings before interest and income taxes over the average assets). This ratio is a good indicator of the adequate distribution of equipment and resources, and of how efficiently they are used in each operation.

Ability to Perform

2003 was the 35th year since Logistec Corporation became a publicly listed company. It was also the 35th year in a row that we reported a net income in our financial statements. We are very proud of this achievement and we believe it to be an excellent indicator of our ability to perform.

We believe we have the necessary resources, be they human, equipment or financial, to successfully carry out our business plan and generate value for shareholders. The installation of new equipment in Montréal (QC), the improvement of the coal-handling facilities in Sydney (NS), and the new operations in Port Manatee (FL) are three concrete examples in 2003 of our ability to use our resources to achieve performance. The renewal of our lease in Contrecoeur (QC) and the signature in 2003 of an offer to lease for a renewed term at Termont Terminal Inc. ("Termont"), our 50% joint venture in container operations in Montréal (QC), are two other situations where we demonstrated our ability to secure critical resources.

Our strategy to diversify our commodity base and balance imports and exports while expanding geographically has proven effective over the last two years in particular. Indeed, while forest products and steel volumes went down in 2002, container volumes and bulk activity were up. Overall, revenue increased in 2002 over 2001. During 2003, steel volumes continued to be low and we were inactive for most of the year at Termont. As an offset, bulk volumes rose, fruit volumes increased due to our new activity in Port Manatee (FL), and forest products picked up. In total, while we handled approximately 13.4 million tonnes of cargo in 2003 compared with approximately 15.7 million tonnes of cargo in 2002, we still recorded slightly higher revenue due to a different mix of cargo types.

Regarding financial resources, we borrowed CA$11.0 million and US$2.0 million in December 2003. These loans were required to fund major investments made in "Property, Plant and Equipment" and in "Investment in Service Contracts." Since December 2002, we have invested a total of more than $21.0 million in these two categories.

Notwithstanding these new loans, the debt-to-equity ratio at the end of 2003 was only 29.9% (the short-term and long-term portion of long-term debt over shareholders' equity). This means that we have the financial capacity to invest further should projects warrant. Furthermore, as described in more detail later in this document, we are currently reviewing our banking facilities and will seriously consider opportunities to improve on existing facilities.

Results

All financial data presented in this management discussion and analysis and in the audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting currency is the Canadian dollar.

Selected Consolidated Financial Data

(in thousands of dollars, except for earnings per share and dividend)	2003	2002	2001
Revenue	**181,343**	179,854	172,662
Net income	**4,935**	5,342	7,218
Basic and diluted earnings per share	**0.74**	0.81	1.10
Total assets	**119,876**	111,255	111,548
Total long-term debt	**20,442**	10,231	16,167
Cash dividend			
Class A	**0.22**	0.22	0.22
Class B	**0.242**	0.242	0.242

"Consolidated Revenue" totalled $181.3 million in 2003, an increase of $1.5 million or 0.8% over the amount recorded in 2002.

The results reflected a near balancing out of positive and negative circumstances in our marine services group.

As explained in our quarterly reports during 2003, the loss of our customers at Termont and more than 10 months of inactivity at this terminal had a severe impact on our revenue.

Another negative factor was the continued effect of the U.S. tariffs on import steel, which resulted in a reduction of 25% in volumes of metal products handled.

Finally, the lower conversion rate of the U.S. currency, due to the strong performance of the Canadian dollar, had a negative impact on the Canadian conversion of our U.S. revenue. We actually achieved an increase in revenue of US$5 million from our U.S. operations but, when converted into Canadian dollars, we recorded $63.0 million in revenue in 2003 from our U.S. operations, compared with $63.1 million in 2002. The lower average conversion rate compared to 2002 resulted in approximately CA$8.0 million less revenue.

Increased marine services revenue came mostly from (i) our new operations in Port Manatee (FL), where we handle fruits for Del Monte Fresh Produce Company, (ii) an overall increase in bulk revenue, and (iii) more activity at Transport Nanuk Inc. ("Transport Nanuk"). These three factors were almost enough to compensate for the negative impacts previously discussed.

The final factor that explains the increase in consolidated revenue was the $3.6 million revenue increase for Sanexen, our subsidiary involved in the environmental industry, mainly due to the good performance of its Aqua-Pipe™ technology.

"Operating Expenses" increased from $161.3 million in 2002 to $165.6 million in 2003, an increase of $4.3 million or 2.7%. The increase in expenses was higher than the 0.8% increase in revenue. This was partly due to fixed costs that we had to continue to support at facilities that experienced substantial slowdowns in 2003. An increase in municipal taxes in Montréal (QC) and Saint John (NB) was another factor explaining the increased expenses.

Finally, although most of the negative impact of the foreign exchange conversion was recorded in the consolidated balance sheets in the "Currency Translation Adjustment", as explained in Note 1 of the financial statements, there was still an expense of $0.4 million of loss on exchange on foreign currency that affected overall costs in 2003. This compares with a lower $0.1 million corresponding charge in 2002. Interest on short-term borrowings (also included in operating expenses) increased to $0.5 million in 2003 from $0.1 million in 2002, reflecting the use of our line of credit to finance acquisitions of assets and investment in service contracts until we borrowed on a long-term basis in December 2003.

"Margin from Operations" at $15.7 million for 2003 was lower by $2.8 million from 2002's margin of $18.5 million, a consequence of the higher costs explained above.

"Amortization of Property, Plant and Equipment" at $9.6 million for 2003 was at a similar level as in 2002 and it reflects our practice of regularly replacing old assets.

"Interest on Long-Term Debt" at $0.5 million in 2003 compared favourably to 2002's expense of $0.9 million and reflected the low level of long-term debt maintained in 2003. The long-term debt was increased only in December 2003.

The caption "Interest Revenue from Investment in Service Contracts" was new in 2003 and reflected the terms of the coal-handling contract in Sydney (NS).

The "Share in Results of Companies Subject to Significant Influence" was mostly our share of the profit of Quebec Railway Corporation Inc. ("QRC"). At $0.8 million for 2003, it was similar to 2002's level. We started the year with a 15.6% share of QRC. During the year, one shareholder departed from QRC and we bought our proportionate share of this position, bringing our shareholding to 16.4% of QRC at the end of 2003.

"Income Taxes" totalled $2.1 million or 29.5% of the income before taxes. This was a much lower rate than the effective rate of 39.1% computed for 2002. The positive variance comes mostly from the different profitability levels in diverse tax jurisdictions.

"Non-Controlling Interests" of $0.2 million in 2003 was the minority shareholders' portion of Sanexen's net income. Sanexen had a much better year in 2003 and we are very confident in the solid customer base and the growth potential of the new Aqua-Pipe™ product. We are pleased to report that, since our initial investment in Sanexen 12 years ago, it has reported a profit every year. At year-end, Logistec Corporation owned 71.6 % of Sanexen's outstanding shares.

Finally, "Net Income" for 2003 totalled $4.9 million, below 2002's net income of $5.3 million. This translates into earnings per share of $0.74 in 2003, compared

with $0.81 in 2002. We are satisfied with this outcome for 2003, especially considering the major negative impact of a significantly reduced container activity in Montréal (QC) and the continuing slower steel activity. Though we are not yet back at profitability levels above $1.00 per share as achieved in the late 1990's, we have been successful in offsetting a good portion of the negative effects experienced in the last two years.

Dividends

For 2003, the Company declared and paid $1.5 million in dividends to its holders of Class A Common Shares ("Class A") and Class B Subordinate Voting Shares ("Class B"), the same amount as in 2002. Dividends totalled $0.22 per Class A share and $0.242 per Class B share. It has been our practice and it is our intent to maintain regular dividend distributions. For the last four years including 2003, the Company has maintained annual dividends at $0.22 per Class A share and $0.242 per Class B share.

Liquidity and Capital Resources

"Cash on Hand" as at December 31, 2003 totalled $8.2 million. This was $1.4 million more than at the end of 2002. During the course of 2003, we used our bank line of credit to temporarily finance our equipment acquisitions as well as our investment in service contracts. Accordingly, we incurred an increase of our short-term bank loan from $9.1 million in Q1 2003 to $12.2 million in Q3 2003. In December 2003, we borrowed from our main bank CA$11.0 million and US$2.0 million under our long-term facilities in order to better match investments and property, plant and equipment with long-term financing in our consolidated balance sheets. From the consolidated statements of cash flows, we note that operations provided $14.0 million in 2003 ($15.7 million in 2002), an amount that was reduced by $3.6 million due to the increase in the non-cash working capital items. Accounts receivable were the main element of this latter variation as they increased by $3.7 million in 2003 versus 2002, for which an explanation is given below.

The net $10.5 million cash generated was used in the following manner: $8.7 million for property, plant and equipment; an allocation of $6.0 million to investment in service contracts in Sydney (NS); payment of $1.5 million for dividends; and, reimbursements of $3.6 million and $2.5 million of long-term debt and short-term bank loans, respectively. These uses of funds were partly offset by new long-term debt of $14.0 million as discussed earlier.

"Accounts Receivable" increased by $3.7 million over 2002 to close 2003 at $32.8 million. Of this amount, $1.8 million was an increase in Sanexen's receivables as their level of activity was much higher in 2003, particularly in the fourth quarter. Also noteworthy, several stevedoring customers substantially increased their activities in the last months of the year and this helped contribute to the unusually high level of outstanding receivables.

The reduction of "Income Taxes Receivable" comes from a reduction of instalments paid in 2003.

"Prepaid Expenses", at $4.5 million on December 31, 2003, were $1.0 million higher than the balance at the end of 2002. Of this, $0.5 million is explained by insurance contracts that are now covering a period from June 1 to May 31 each year, as opposed to January 1 to December 31 in previous years. Another $0.4 million came from amortization payments we had to make due to an unfunded solvency liability of $1.8 million as at December 31, 2002, in one of the Company's pension plans. The requirement for future amortization payments will be determined annually based on actuarial evaluations. Please read Note 12 of Logistec Corporation's 2003 audited consolidated financial statements for more details on employee future benefits.

"Investments" increased from a balance of $12.3 million at the end of 2002 to $19.9 million at the end of 2003. The increase included $6.6 million of investment in service contracts to improve operations in Sydney (NS), $0.8 million from our share of the results from QRC, as we account for this investment using the equity method, and $0.4 million of disbursements to increase our ownership interest in the equity of QRC, as discussed above. A further $1.8 million of spending is planned in 2004 to finalize our improvement in Sydney (NS).

The $45.5 million closing balance for 2003 of "Property, Plant and Equipment" was influenced by three factors: the 2002 year-end value of $49.1 million (i) was increased by additions totalling $9.6 million (net of government subsidy of $1.4 million), which included $2.4 million for a new high-capacity Liebherr crane, (ii) was decreased by an amortization of $9.6 million; and (iii) was further reduced by $3.2 million which was due to the lower U.S. currency conversion rate of fixed assets held by our self-sustaining U.S. entities. This latter factor also explains most of the $3.2 million variation in the "Foreign Currency Translation Adjustment" caption under shareholders' equity in the consolidated balance sheets.

"Short-Term Bank Loans" at $1.5 million as of December 31, 2003, were $2.5 million lower than a year earlier following the increase in long-term debt as explained above.

The increase of "Accounts Payable and Accrued Liabilities" by $0.7 million from $19.7 million a year earlier to $20.4 million at the end of 2003 was due to an increase in the payables of Sanexen by $1.1 million due to higher fourth quarter activities, as already mentioned. The balance of the difference was within a normal variation range.

"Deferred Revenue" are influenced by the timing of billing versus rendering the services, especially in cases where clients are invoiced with a global rate including warehousing and delivery services that are deferred to future months. The balance of $1.3 million at the end of 2003, although lower than 2002's closing balance of $2.2 million, was at a reasonable level as defined by normal practice.

Working capital at the end of 2003 totalled a positive $17.0 million or a ratio of 1.57:1. This was an improvement from 2002 when we reported $11.7 million of working capital for a ratio of 1.39:1. The improvement was due to the restructuring of the consolidated balance sheets through the borrowing of new funds on a long-term basis.

In December 2003, we borrowed CA$11.0 million and US$2.0 million from our available credit facilities with our main bank. This reduced outstandings under our main line of credit to zero and had the effect of matching long-term investment with long-term financing. The amortization period of the long-term financing is five years, and we have kept the interest rate floating. This allows us to currently benefit from low interest rates and we intend to fix the rates pending current negotiations with various banks. Indeed, during 2003, we negotiated a CA$7.0 million increase in available credit facilities. We now have CA$21.0 million in short-term credit lines available (zero usage at year-end 2003), CA$22.0 million available for term loans (CA$13.5 million used at year-end 2003) and US$5.0 million also available for term loans (US$2.3 million used at year-end 2003). Parallel to this increase, and in agreement with our main bank, we initiated talks with a few other Canadian banks in order to form a group for the Company's future banking needs. We expect to borrow additionally to finance planned expansion and possibly for projects currently under study.

At the point of writing this report, we had obtained an indicative term sheet from our main bank, combined with a major Canadian bank, which, if finalized, would give us access to $60.0 million of credit (or U.S. equivalent). Of this, $20.0 million would be for a short-term line of credit and $40.0 million would be for long-term loans.

Details of actual long-term debt as at December 31, 2003 are listed in Note 7 of the financial statements. A summary of long-term debt and contractual obligations is provided below.

Payments due by period

Contractual Obligations (in thousands of dollars)	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	19,810	4,759	8,534	5,715	802
Capital lease obligations	632	264	368	–	–
Operating leases					
- Equipment	10,393	573	1,557	1,190	7,073
- Occupancy	49,907	7,700	15,265	10,646	16,296
Purchase obligations	15,800	1,800	4,000	–	10,000
Total contractual obligations	96,542	15,096	29,724	17,551	34,171

The total long-term debt (current portion of $5.0 million and long-term portion of $15.4 million) translates into a debt-equity ratio of 29.9% ($20.4 million divided by $68.3 million). This represents an increase of indebtedness from a year earlier and is a consequence of a major project undertaken since December 2002, as previously discussed.

As at December 31, 2003, there were 3,921,874 issued and outstanding Class A shares and 2,743,087 issued and outstanding Class B shares. Each Class A share is convertible at any time, at the option of the holder, into one Class B share.

--> Selected Quarterly Data (1999 - 2003)

(In thousands of dollars, except for earnings per share)

2003	Q1	Q2	Q3	Q4	Year
Revenue	43,488	43,475	46,109	48,271	181,343
Net income (loss)	(58)	543	2,088	2,362	4,935
Basic and diluted earnings per share	(0.01)	0.08	0.31	0.35	0.74

2002	Q1	Q2	Q3	Q4	Year
Revenue	36,236	45,569	49,022	49,027	179,854
Net income (loss)	(377)	1,876	2,413	1,430	5,342
Basic and diluted earnings per share	(0.06)	0.29	0.37	0.22	0.81

2001	Q1	Q2	Q3	Q4	Year
Revenue	38,183	42,183	44,150	48,146	172,662
Net income	629	1,505	966	4,118	7,218
Basic and diluted earnings per share	0.10	0.23	0.14	0.63	1.10

2000	Q1	Q2	Q3	Q4	Year
Revenue	34,317	42,851	50,160	50,134	177,462
Net income (loss)	(699)	1,438	2,835	3,603	7,177
Basic and diluted earnings per share	(0.11)	0.22	0.43	0.55	1.09

1999	Q1	Q2	Q3	Q4	Year
Revenue	32,412	41,276	49,335	44,450	167,473
Net income	93	1,960	2,387	2,298	6,738
Basic and diluted earnings per share	0.01	0.30	0.37	0.35	1.03

Fourth Quarter 2003 Results and Comparative Data

(in thousands of dollars, except earnings per share)	Q4 2003 $	Q4 2002 $
Revenue	48,271	49,027
Operating expenses	43,169	44,025
Margin from operations	5,102	5,002
	10.6%	10.2%
Amortization of property, plant and equipment	2,381	2,434
Amortization of other assets	62	(108)
Interest on long-term debt	113	151
Interest revenue from investment in service contracts	(449)	–
	2,107	2,477
Income from operations	2,995	2,525
Share in the results of companies subject to significant influence	223	216
Gain on disposal of investments	–	139
Income before income taxes and non-controlling interests	3,218	2,880
Income taxes	785	1,403
Income before non-controlling interests	2,433	1,477
Non-controlling interests	71	47
Net income	2,362	1,430
Basic and diluted earnings per share	0.35	0.22

The fourth quarter of the year usually offers a fairly solid performance, as it includes the last months before the closing of a portion of the St. Lawrence Seaway. Also many organizations want their goods delivered before either Christmas or the end of the calendar year.

The 2003 fourth quarter was no exception. In fact, with a revenue of $48.3 million, a net income of $2.4 million, and basic earnings per share of $0.35 for the quarter, it was the best quarter of 2003 and it compared favourably to the fourth quarter of 2002.

At $48.3 million, "Revenue" for the fourth quarter 2003 were only $0.8 million less than revenue for the same period in 2002. Factors that influenced the revenue were essentially the same as those discussed for the full 2003 year. Lower revenue due to the very low volume of activity of the container terminal in Montréal (QC) and low volumes of steel were almost fully offset by strong bulk revenue, new fruit volumes in Port Manatee (FL), and a solid performance from both Transport Nanuk and Sanexen.

The "Margin from Operations" at 10.6% of revenue in this last quarter was slightly better than the 10.2% obtained in Q4 2002 and it reflected the efforts deployed to compensate for the already-discussed negative elements impacting our operations.

"Amortization of Property, Plant and Equipment" at $2.4 million in Q4 2003 was the same as in Q4 2002 and was consistent with our fixed assets replacement practice.

The "Interest on Long-Term Debt" at $0.1 million for Q4 2003, compared with $0.2 million in Q4 2002, corresponded to the reduction of long-term debt that continued to occur until mid-December 2003. The new long-term debt was drawn in mid-December, resulting in little impact on the interest expense for Q4 2003.

The "Interest Revenue from Investment in Service Contracts" was a new caption in 2003 and reflected the new agreement with our main customer in Sydney (NS).

Overall, the "Income Before Income Taxes and Non-Controlling Interests", at $3.2 million for Q4 2003, was an improved result from the $2.9 million recorded for the same period of 2002.

"Income Taxes" for the last quarter of 2003 were very low at $0.8 million, but this was because they included all year-end adjustments for taxes, while previous quarter income tax provisions were booked using an average estimated tax rate of 34%.

Accounting policies

In February 2003, the Canadian Institute of Chartered Accountants issued the Accounting Guideline 14, "Disclosure of Guarantees" ("AcG-14"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantee. AcG-14 dictates the reporting requirements regarding guarantees given by the Company and related potential obligations. In the first quarter of 2003, the Company has adopted the disclosure requirements of AcG-14 and has found no guarantees from its current contracts other than those disclosed in the December 31, 2003 financial statements.

Business Risks

There are risks associated with all factors of our performance.

We work with unionized forces in many of our installations. Although we have not experienced a strike or work stoppage in numerous years, there is always that possibility. For 2004, negotiations are to take place with the union at the Port of Montréal (QC). At this stage, it is too early to say what direction the negotiations will take, but we have no reason yet to believe that they will result in a work stoppage.

Our expertise in various fields of activity allows us to choose and maintain the right type of equipment needed for our operations. We have accumulated capital resources and we have put in place credit facilities that will assure us future access to the capital required to acquire the right equipment at the right time.

Access to strategic terminals is critical to a successful cargo-handling operation. With its large network of port terminals and a solid reputation as an operator, the Company will likely be able to regularly renew its leases with port authorities and landlords on commercially viable terms.

However, municipal authorities may see port land as a taxation opportunity. In Canada, port authorities, being Federal Government agencies, do not pay municipal taxes on land they own but an amount in lieu of taxes determined by federal/municipal negotiations. Differences of view between port authorities and municipalities may lead to taxation claims from the latter. If successful, this may translate into higher costs for the port users. Over the last three years, the Company has faced an approximate $0.8 million increase in municipal taxes for Montréal (QC) alone. This unstable tax environment may place operators at a cost-disadvantage and lead to a loss of business in some port installations.

Government policies may also represent a business risk. For example, the U.S. Government has imposed tariffs on imports of steel. These tariffs have had a severe impact on the volumes of steel we handle. However, such policies may also sometimes bring opportunities. Indeed, the tariffs imposed by the U.S. Government on Canadian lumber triggered an increase in lumber imports into the U.S. from Europe at some of our U.S. East Coast terminals.

Since we are not doing business in a retail environment, but rather, usually, with very large industrial and well-established customers, the number of clients we serve is also limited, which also affects risk. Including both maritime and environmental services, we serve approximately one thousand customers. This simplifies the credit verification procedures but increases concentration. However, no one customer represents more than 10% of our overall revenue.

The recent movement of currency values and weaker standing of the U.S. currency on international markets does not represent an immediate problem to the Company, as our U.S. operations are self-sustaining with revenue and costs in the same currency denomination. However, in the long run, a weaker U.S. dollar may mean a reduction of imports into the United States in a way that would affect our U.S. ports where activities are geared more towards imports. At the same time, such a development could mean an increase of exports from the U.S., and we could possibly benefit from that situation if the added exports move through the ports in which we operate on the East Coast.

Finally, as we intend to continue our growth through value-added acquisitions, the risk we face in this regard is related to the evaluation of the project and integration. Although nobody can predict the future with certainty, our analysis is usually based on assumptions about the future (net present value of expected future cash flows). As for the integration of new acquisitions, our extensive experience in such matters is our best assurance of success.

Corporate Governance

Logistec has implemented high standards of corporate governance. The Company complies with the 14 guidelines issued by the Toronto Stock Exchange. Eight of Logistec's 11 directors are unrelated and independent of management, and the roles of Chairman and Chief Executive Officer are separate. The audit and compensation committees of the Board of Directors consist exclusively of independent directors. The Audit Committee, which is involved in the review and approval of financial statements prior to their submission to the Board of Directors for approval, meets separately with the Company's auditors, as needed. The Board recommends auditors to shareholders after the Audit Committee has made a proper analysis.

Furthermore, Logistec is very proud of having been chosen the recipient of the 2003 Korn/Ferry – Revue Commerce award for best corporate governance in the small business category (revenue less than $250 million). This award is given in three different categories (small, medium and large business) and highlights the

strategic importance of board members in the application of good corporate governance guidelines. A five-member jury selects companies based in the Province of Quebec that distinguish themselves by the independence of their board of directors and committees, their self-assessments, and the return on equity achieved over the last 5 years.

Outlook

Logistec is a leader in break-bulk cargo handling in Canada and is gradually expanding its position in the U.S. East Coast market. Although this sector continues to have its challenges, we are confident that with our network of facilities and our people who have the skills and ability to adapt quickly, we can continue to make this market work for us.

With respect to bulk, we have been increasing our share of activity through the handling of coal in Nova Scotia and will continue to seek opportunities to develop our services for large industrial companies.

Our container activities should improve in 2004 and beyond. Our discussions with potential customers for the Termont container operation in Montréal (QC) are progressing positively, and we are confident that, together with the Montréal Port Authority, we will be able to rebuild and strengthen this very important terminal strategically located to serve the industrial heartland of North America.

Sanexen is progressively developing its new Aqua-Pipe™ product and is positioning itself to enter the very large U.S. market.

Finally, we are confident that we have the expertise and resources to sustain business levels and find new opportunities. We continue to seek new expansion and acquisition opportunities that will provide growth and bring value for our shareholders.

This report contains certain forward-looking information and statements concerning the Company's operations, performance, and financial condition, including, in particular, the likelihood of the Company's success in developing and expanding its business. These statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Examples include the performance of domestic and international economies and the effects of these on shipping, weather conditions, labour relations, and pricing and other marketing activities by competitors. Actual results may differ materially from those expressed or implied by such forward-looking statements.

Additional information relating to Logistec Corporation, including the Company's annual information form, is available on SEDAR at www.sedar.com.

Jean-Claude Dugas, C.A.
Vice-President, Finance
Treasurer and Assistant-Secretary

February 24, 2004

--> Management's Report

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of Logistec Corporation and have been reviewed and approved by the board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities. Samson Bélair/Deloitte & Touche s.e.n.c.r.l., the shareholders' auditors, have audited the financial statements.

Management has prepared the financial statements according to Canadian generally accepted accounting principles. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present Logistec Corporation's consolidated financial position, results of operations and cash flows.

Management has a system of internal controls in place to ensure that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The board of directors has appointed an audit committee, which is made up of unrelated and independent directors. The audit committee's responsibilities include reviewing the financial statements and other information in this annual report, and recommending them to the board of directors for approval. The shareholders' auditors have free and independent access to the audit committee.

Madeleine Paquin

Madeleine Paquin
President and Chief Executive Officer

Jean-Claude Dugas, C.A.
Vice-President, Finance
Treasurer and Assistant-Secretary

February 24, 2004

--> Auditors' Report

To the Shareholders of Logistec Corporation

We have audited the consolidated balance sheets of Logistec Corporation as at December 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche

Montréal, Canada
Chartered Accountants

February 24, 2004

Consolidated Statements of Earnings

years ended December 31, (in thousands of dollars, except for shares and per share amounts)	2003 $	2002 $
Revenue	181,343	179,854
Operating expenses	165,636	161,337
Margin from operations	15,707	18,517
Amortization of property, plant and equipment	9,579	9,562
Amortization of other assets	242	166
Interest on long-term debt	522	945
Interest revenue from investment in service contracts (Note 4)	(1,063)	–
	9,280	10,673
Income from operations	6,427	7,844
Share in the results of companies subject to significant influence	816	785
Gain on disposal of investments	–	139
	816	924
Income before income taxes and non-controlling interests	7,243	8,768
Income taxes (Note 2)	2,134	3,424
Income before non-controlling interests	5,109	5,344
Non-controlling interests	174	2
Net income	4,935	5,342
Basic and diluted earnings per share (Note 3)	0.74	0.81
Weighted average number of shares outstanding	6,637,344	6,574,811

Consolidated Statements of Retained Earnings

years ended December 31, (in thousands of dollars)	2003 $	2002 $
Balance at beginning (as previously reported)	52,586	49,193
Goodwill impairment loss	–	444
Restated balance, beginning of year	52,586	48,749
Net income	4,935	5,342
	57,521	54,091
Dividends	1,523	1,505
Balance at end	55,998	52,586

Consolidated Balance Sheets

as at December 31, (in thousands of dollars)	2003 $	2002 $
Assets		
Current assets		
Cash	8,177	6,789
Accounts receivable	32,841	29,115
Income taxes receivable	914	2,439
Future income taxes (Note 2)	120	231
Prepaid expenses	4,496	3,487
	46,548	42,061
Investments (Note 4)	19,901	12,309
Property, plant and equipment (Note 5)	45,488	49,145
Goodwill	2,441	2,441
Other assets	3,701	3,698
Future income taxes (Note 2)	1,797	1,601
	119,876	111,255
Liabilities		
Current liabilities		
Short-term bank loans (Note 6)	1,495	3,962
Accounts payable and accrued liabilities	20,409	19,717
Deferred revenue	1,343	2,178
Income taxes payable	934	407
Dividends payable	382	377
Current portion of long-term debt (Note 7)	5,023	3,678
	29,586	30,319
Long-term debt (Note 7)	15,419	6,553
Provision for inspection of vessels	207	187
Future income taxes (Note 2)	5,491	5,988
Non-controlling interests	898	712
	51,601	43,759
Commitments and Contingencies (Notes 11 and 16)		
Shareholders' equity		
Capital stock (Note 9)	13,918	13,377
Retained earnings	55,998	52,586
Foreign currency translation adjustment	(1,641)	1,533
	68,275	67,496
	119,876	111,255

On behalf of the Board

Director

Director

Consolidated Statements of Cash Flows

years ended December 31, (in thousands of dollars)	2003 $	2002 $
Operating activities		
Net income	4,935	5,342
Items not affecting cash (Note 10)	9,097	10,406
Cash provided from operations	14,032	15,748
Changes in non-cash working capital items (Note 10)	(3,580)	330
	10,452	16,078
Financing activities		
Net change in short-term bank loans	(2,467)	2,573
Issuance of long-term debt	14,042	25
Repayment of long-term debt	(3,625)	(6,301)
Proceeds from issuance of shares to non-controlling interests	12	–
Issuance of shares, net of related costs	481	17
Dividends paid	(1,518)	(1,504)
	6,925	(5,190)
Investing activities		
Acquisition of property, plant and equipment (net of government subsidy of $1,400,000 in 2003, nil in 2002)	(8,718)	(7,891)
Acquisition of other assets	(959)	(2,222)
Customer repayment of investment in service contracts	336	–
Investment in service contracts	(5,994)	(6,365)
Investment in a company subject to significant influence	(444)	–
Proceeds from disposal of property, plant and equipment	179	603
Proceeds from disposal of investments	–	228
Dividends received from companies subject to significant influence	–	33
	(15,600)	(15,614)
Foreign exchange loss on cash held in foreign currencies of self-sustaining subsidiaries	(389)	(85)
Net change in cash	1,388	(4,811)
Cash at beginning	6,789	11,600
Cash at end	8,177	6,789

Non-cash transactions and supplemental information (Note 10)

1 --> Significant accounting policies

Change in an accounting policy

Disclosure of guarantees

In February 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 14, "Disclosure of Guarantees" ("AcG-14"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees.

AcG-14 requires the guarantor to disclose the nature of the guarantees, the maximum potential amount of future payments and the current carrying amount of the liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The disclosure is required even if it is unlikely that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements.

In the first quarter of 2003, the Company has adopted the disclosure requirements of AcG-14 and has found no guarantees from its current contracts other than those disclosed in the financial statements.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Acquisitions of all subsidiaries are accounted for by the purchase method, and results of operations are included in the consolidated financial statements from the date of acquisition of control. Investments in joint ventures are accounted for by the proportionate consolidation method. All intercompany transactions are eliminated on consolidation.

Foreign currency translation

Revenue and expense items arising from transactions in foreign currencies are converted into Canadian dollars at the rates in effect on transaction dates. Monetary asset and liability items on the balance sheets are translated into Canadian dollars at the rates in effect at the balance sheets date; non-monetary items are translated at the rates in effect on the transaction dates. Exchange gains or losses arising from translation are recognized in earnings.

The Company's foreign operations are self-sustaining. Assets and liabilities are translated at the rates in effect at the balance sheets date; revenue and expense items are translated at the rates in effect on transaction dates. Gains or losses arising from translation are recorded in Shareholders' equity under the heading "Foreign currency translation adjustment".

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, impairment of assets, the determination of assumptions related to investment in service contracts, pension benefits, useful lives of assets for amortization, income taxes and future income taxes. These estimates are revised periodically. Results as determined by actual events could differ from these estimates.

Revenue recognition

The Company's revenue is mainly derived from stevedoring related activities. Revenue is recognized when services are rendered and collectability is reasonably assured. Deferred revenue is reported for material loading and tailgating services billed but not yet provided.

1 --> Significant accounting policies (continued)

Stock-based compensation
Effective January 1, 2002, the Company adopted the new recommendations of *CICA Handbook* Section 3870, "Stock-Based Compensation and Other Stock-Based Payments." This section sets standards for recognizing, measuring and disclosing stock-based payments made to employees and to non-employees in exchange for goods and services.

The Company uses the fair value method on a prospective basis to measure compensation expense at the date of the grant. Under the fair value method, the total fair value of the options is amortized over the vesting periods as a compensation expense with an offset to Contributed Surplus. For options that are forfeited before vesting, the compensation expense that has previously been recognized in operating expenses and Contributed Surplus is reversed. When options are exercised, the proceeds received by the Company are credited to Capital Stock.

Income taxes
The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheets items and their corresponding tax basis, using the enacted income tax rates for the years in which the differences are expected to reverse.

Earnings per share
The diluted earnings per share have been calculated using the treasury stock method.

Investments in companies subject to significant influence
The investments in companies subject to significant influence are accounted for under the equity method.

Investment in service contracts
Amounts paid by the Company for assets that will be used in service contracts where the customer has the exclusive right to all or a portion of the assets for a specific period and the Company is not able to sell or otherwise use those assets to service others without the customer's consent are accounted for as financing arrangements.

Property, plant and equipment, and amortization
Property, plant and equipment are stated at cost net of government subsidies and are amortized on the straight-line method at annual rates calculated on their estimated useful lives. The gain or loss on disposal of property, plant and equipment is included in earnings.

Goodwill
Effective January 1, 2002, the Company adopted the new recommendations of *CICA Handbook* Section 3062, "Goodwill and Other Intangible Assets". The section requires that goodwill and other intangibles assets, which are determined to have indefinite useful lives, are no longer amortized but are tested for impairment annually by comparison to their fair values. An impairment loss is recognized in earnings, if any.

The Company completed the transitional impairment test on the goodwill of all of its reporting units. Based on such tests, an impairment loss of $530,000 was recognized in 2002 for one reporting unit of one of its subsidiaries. In accordance with the transitional provision of Section 3062, an impairment loss, as a result of applying the recommendations for the first time, was recognized as the effect of a change in an accounting policy and charged to opening retained earnings, without restatement of prior periods. Accordingly, of the previously mentioned impairment loss, $444,000 was charged in 2002 to retained earnings net of non-controlling interests of $86,000.

The Company performed its annual impairment test as of March 31, 2003, and no impairment was necessary.

(column figures are in thousands of dollars, except for per share amounts)

1 --> Significant accounting policies (continued)

Other assets

The other assets are recorded at cost or at cost less accumulated amortization for depreciable items. The major item is prepaid rent that is charged to operations over the term of the lease.

Employee future benefits

The cost of pensions is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

The transitional asset is amortized on a straight-line basis over the average remaining service period of active employees under the pension plan.

Provision for inspection of vessels

Each year, the Company accrues an amount necessary to cover the estimated cost of surveys required on each vessel.

2 --> Income taxes

The following table is a reconciliation of the difference between the statutory income tax rate and the effective income tax rate:

	2003 %	2002 %
Statutory income tax rate	**33.77**	37.58
Tax rate differential on future income tax liabilities	**(2.94)**	0.55
Non-deductible items	**0.86**	0.73
Share in the results of companies subject to significant influence	**(1.83)**	(1.54)
Other	**(0.41)**	1.73
Effective income tax rate	**29.45**	39.05

Income tax expense for the year is as follows:

	2003 $	2002 $
Current	**2,716**	1,909
Future	**(582)**	1,515
	2,134	3,424

(column figures are in thousands of dollars, except for per share amounts)

2 --> Income taxes (continued)

As at December 31, future income taxes assets (liabilities) are as follows:

	2003 $	2002 $
Property, plant and equipment	(4,579)	(4,759)
Unused tax losses	1,793	1,564
Others	(788)	(961)
	(3,574)	(4,156)

As at December 31, the amounts recognized in the consolidated balance sheets are as follows:

	2003 $	2002 $
Current future income tax assets	120	231
Long-term future income tax assets	1,797	1,601
Long-term future income tax liabilities	(5,491)	(5,988)
	(3,574)	(4,156)

As at December 31, 2003, the Company has $128,000 of unused tax losses carry forwards, that has not been recognized as a future income tax asset in the financial statements, expiring in 2009.

3 --> Earnings per share

The weighted average number of shares outstanding used in the calculation of diluted earnings per share amounted to 6,666,475 for the year ended December 31, 2003 (6,613,034 in 2002). The diluted earnings per share is calculated using the dilutive stock options.

Options to purchase 105,000 Class B Subordinate Voting Shares at prices varying between $10.67 and $12.67 were outstanding during the year, but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the shares.

4 --> Investments

	2003 $	2002 $
Companies subject to significant influence	7,204	5,944
Investment in service contracts	12,697	6,365
	19,901	12,309

Investment in service contracts represents amounts paid by the Company for the financing of assets in service contracts with a customer. These amounts, bearing interest at 13.6%, require no fixed annual principal repayments, will be reimbursed to the Company through the service revenue charged to the customer until 2012. Since there are no annual repayments, no amounts related to the investment in service contracts have been classified as current assets.

(column figures are in thousands of dollars, except for per share amounts)

5 --> Property, plant and equipment

	Rates	2003 Cost	2003 Accumulated amortization	2003 Net amount
	%	$	$	$
Land	–	23	–	23
Buildings	5 to 20	9,779	4,137	5,642
Vessels	8 to 11	7,434	3,846	3,588
Machinery and equipment	7 to 33	85,754	58,382	27,372
Computer equipment	14 to 25	3,947	2,974	973
Furniture and fixtures	10 to 33	1,968	1,262	706
Leasehold improvements	10 to 25	13,301	7,011	6,290
Construction in progress	–	205	–	205
Machinery and equipment held under capital leases	7 to 33	1,136	447	689
		123,547	78,059	45,488

	Rates	2002 Cost	2002 Accumulated amortization	2002 Net amount
	%	$	$	$
Land	–	23	–	23
Buildings	5 to 20	9,059	3,621	5,438
Vessels	8 to 11	7,424	3,417	4,007
Machinery and equipment	7 to 33	81,686	57,739	23,947
Computer equipment	14 to 25	3,955	2,671	1,284
Furniture and fixtures	10 to 33	2,376	1,543	833
Leasehold improvements	10 to 25	15,829	6,955	8,874
Construction in progress	–	3,413	–	3,413
Machinery and equipment held under capital leases	7 to 33	1,880	554	1,326
		125,645	76,500	49,145

6 --> Short-term bank loans

The Company and its wholly owned subsidiary, Logistec USA Inc., have access to a maximum of $21,000,000 in the way of bank overdraft or line of credit with their main bank for unsecured short-term credit facilities. Under the conditions of the credit agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios. As at December 31, 2003, the advance under the short-term line of credit is unused ($2,649,000 in 2002).

The other lines of credit of the Company at rates varying from banker's prime rate to banker's prime rate plus 1%, total $4,944,000 and are secured by a movable hypothec covering the Company's eligible accounts receivable and certain other assets. As at December 31, 2003, these assets amount to $12,358,000 ($15,306,000 in 2002) and the lines of credit used amount to $1,495,000 ($1,313,000 in 2002).

(column figures are in thousands of dollars, except for per share amounts)

7 --> Long-term debt

	2003 $	2002 $
Unsecured term loans (*)		
• bearing interest at prime rate plus 0.25%, payable in monthly instalments of $100,000, maturing in 2008	6,000	–
• bearing interest at banker's acceptance rate plus 1.5%, payable in monthly instalments of $83,334, maturing in 2008	5,000	–
• bearing interest at 7.87%, payable in quarterly instalments of $250,000, maturing in 2006	2,500	3,500
• bearing interest at 5.65 %, payable in monthly instalments of $110,332, maturing in 2004 (US$299,765)	388	1,797
• bearing interest at LIBOR rate plus 1.75%, payable in monthly instalments of $43,143, maturing in 2008 (US$2,000,000)	2,589	–
Term credit facility in the form of banker's acceptance, bearing interest at banker's prime rate plus 0.25%, payable in annual instalments of $212,500, maturing in 2005 (**)	1,488	1,700
Notes payable		
• bearing interest at 9.75%, payable in equal monthly instalments from 2005 to 2015 (US$500,000)	647	790
• bearing interest at prime plus 0.5% and from 7% to 9.5%, payable in monthly installments of $38,491, maturing from 2004 to 2006	605	840
Obligations under capital leases, bearing interest at rates varying from 6.77% to 10.64% and at prime rate plus 0.75%, payable in monthly instalments, maturing up to 2006	632	1,078
Other	593	526
	20,442	10,231
Current portion	5,023	3,678
	15,419	6,553

(*) *The Company and its wholly owned subsidiary, Logistec USA Inc., have access to a maximum of $28,472,000 (CA$22,000,000 and US$5,000,000) in the way of term loans with their main bank for unsecured long-term credit facility. Under the conditions of the credit agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios.*

(**) *A joint venture of the Company has secured the credit facility by a movable hypothec of $8,500,000 and each partner guaranteed $1,500,000 in favor of the joint venture.*

The long-term debt matures as follows:

	Obligations under capital leases			Other debts	
Years	Minimum payments $	Interest $	Principal $	Principal $	Total principal repayments required $
2004	296	32	264	4,759	5,023
2005	254	16	238	5,165	5,403
2006	133	3	130	3,369	3,499
2007	–	–	–	2,859	2,859
2008	–	–	–	2,856	2,856
Thereafter	–	–	–	802	802
	683	51	632	19,810	20,442

(column figures are in thousands of dollars, except for per share amounts)

8 --> Financial instruments

Interest and foreign exchange risks

The financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Company does not presently have derivative instruments to reduce its exposure to interest rate fluctuations. The foreign currency risk is managed due to the fact that the American subsidiaries have sufficient total cash inflow to meet their disbursements in U.S. dollars.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. However, the Company's businesses have a large number of diverse customers, which minimizes concentration of credit risk.

Fair value of financial instruments

As at December 31, 2003 and 2002, the estimated fair values of cash, accounts receivable, short-term bank loans, accounts payable and accrued liabilities and deferred revenue approximate their respective carrying values due to their short-term nature.

The estimated fair values of the investment in service contracts, long-term debt and obligations under capital leases are not significantly different from their respective carrying values as at December 31, 2003 and 2002.

9 --> Capital stock

Authorized in an unlimited number

First Ranking Preferred Shares, non-voting, issuable in series

Second Ranking Preferred Shares, non-voting, issuable in series

Class A Common Shares, without par value, 30 votes per share, convertible into Class B Subordinate Voting Shares at the holder's discretion

Class B Subordinate Voting Shares, without par value, one vote per share, entitling their holders to receive a dividend equal to 110% of any dividend declared on each Class A Common Share

		2003 $	2002 $
Issued and outstanding			
3,921,874	Class A Common Shares (3,925,770 in 2002)	**5,183**	5,189
2,743,087	Class B Subordinate Voting Shares (2,654,791 in 2002)	**8,735**	8,188
		13,918	13,377

The Company has set aside 290,000 Class B Subordinate Voting Shares pursuant to the Executive Stock Option Plan. Said options are granted at the market price. The options granted will vest over a period of five years at the rate of 20% per year starting at the grant date. Options to purchase 275,000 Class B Subordinate Voting Shares were granted pursuant to this plan and options on 75,000 were exercised in 2003, leaving outstanding options of 200,000 as at December 31, 2003.

The Company has granted to one of the directors, for his services, one option to purchase 30,000 Class B Subordinate Voting Shares to be exercised until April 20, 2006, at a price of $12.67 per share.

(column figures are in thousands of dollars, except for per share amounts)

9 --> Capital stock (continued)

Outstanding stock options of the Company under the Executive Stock Option Plan and the option granted to one of the directors are as follows:

Outstanding Options			Vested Options	
Weighted-average exercise price	Number	Maturity Date	Number	Weighted-average exercise price
$				$
8.43	125,000	August 1, 2008	50,000	8.43
10.67	60,000	March 11, 2004	60,000	10.67
10.92	15,000	March 11, 2005	15,000	10.92
12.67	30,000	April 20, 2006	30,000	12.67
9.73	230,000		155,000	10.36

During the year, the number of options has varied as follows:

	2003		2002	
	Weighted-average exercise price	Number of stock options	Weighted-average exercise price	Number of stock options
	$		$	
Balance at beginning of year	8.85	305,000	8.85	305,000
Granted	–	–	–	–
Exercised	6.17	(75,000)	–	–
Forfeited	–	–	–	–
Balance at end of year	9.73	230,000	8.85	305,000

Pursuant to the Employee Stock Purchase Plan, 150,000 Class B Subordinate Voting Shares are reserved for future issuances. Eligible employees designated by the Board of Directors need to have at least two years of service. Participation is on a voluntary basis. The subscription price is determined by the average high and low board lot trading prices of the Class B Subordinate Voting Shares on the Toronto Stock Exchange during five days, consecutive or not, preceding the last Thursday of the month of May of the year the shares are issued, less a maximum of 10% discount. A non-interest-bearing loan offered by the Company is available to acquire the said shares. The loans are reimbursable over a two-year period. There remains an unallocated balance of 98,200 Class B Subordinate Voting Shares reserved pursuant to this purchase plan.

Under the Logistec Employee Stock Purchase Plan, 9,400 Class B Subordinate Voting Shares (11,500 in 2002) were issued for cash consideration of $17,890 ($17,513 in 2002) and for non-interest-bearing loans of $60,506 repayable over two years ($81,962 in 2002). Also, 3,896 Class A Common Shares were converted into 3,896 Class B Subordinate Voting Shares in 2003.

(column figures are in thousands of dollars, except for per share amounts)

10 --> Statements of cash flows

a) Items not affecting cash	2003 $	2002 $
Amortization	9,821	9,728
Future income taxes	(582)	1,515
Share in the results of companies subject to significant influence	(816)	(785)
Gain on disposal of investments	–	(139)
Reduction of other assets	565	241
Other	109	(154)
	9,097	10,406

b) Changes in non-cash working capital items	2003 $	2002 $
(Increase) decrease in accounts receivable	(3,666)	3,793
Decrease (increase) in income taxes	2,052	(1,712)
Increase in prepaid expenses	(1,009)	(601)
Decrease in accounts payable and accrued liabilities	(122)	(1,069)
Decrease in deferred revenue	(835)	(81)
	(3,580)	330

c) Non-cash transactions

During 2003, the Company acquired property, plant and equipment and other assets of which $370,049 ($400,000 in 2002) was financed through long-term debt.

d) Supplemental information	2003 $	2002 $
Interest paid	1,693	1,248
Income taxes paid	257	2,971

11 --> Commitments

The Company is committed until 2024, under lease agreements, to rent offices and port facilities for an amount of $60,300,000. The minimum amounts payable over the next five years are as follows:

	$
2004	8,273
2005	8,454
2006	8,368
2007	6,792
2008	5,044

On December 31, 2002, a subsidiary of the Company entered into a ten-year service agreement. As a part of this agreement, the Company is committed to making capital improvements estimated at $1,800,000 in 2004. Amounts paid will be included in investment in service contracts.

The Company, through a joint venture, is committed to making $14,000,000 in investments for equipment over a 20-year period, beginning in 2005.

(column figures are in thousands of dollars, except for per share amounts)

12 –> Employee future benefits

The Company has various defined benefit and defined contribution plans providing pension benefits to most of its employees.

The following tables present information concerning the defined benefit plans, as established by independent actuaries:

	2003 $	2002 $
Benefit obligation		
Balance at beginning of year	19,764	18,377
Service cost	444	451
Interest on the benefit obligation	1,260	1,188
Employees' contributions	236	225
Plan amendments	238	55
Actuarial losses	1,408	649
Benefits paid	(1,638)	(1,181)
Other	(195)	–
Balance at end of year	21,517	19,764
Fair value of plans' assets		
Balance at beginning of year	18,086	19,116
Actual return on plan assets	1,157	(593)
Employer contributions	1,206	519
Employees' contributions	236	225
Benefits paid	(1,638)	(1,181)
Other	(120)	–
Balance at end of year	18,927	18,086
Funded status – (deficit)	(2,590)	(1,678)
Reconciliation of funded status		
Unamortized net actuarial loss	5,615	4,367
Unamortized net transitional asset	(1,764)	(1,978)
Unamortized past service cost	558	375
Valuation allowance	(1,427)	(1,104)
Accrued benefit asset (liability)	392	(18)

The following table provides the amounts recognized in the consolidated balance sheets as at December 31:

	2003 $	2002 $
Accrued benefit liability	(831)	(881)
Prepaid benefit costs	1,223	863
Accrued benefit asset (liability)	392	(18)

Included in the above benefit obligation of $21,517,000 ($19,764,000 in 2002) and fair value of plan assets of $18,927,000 ($18,086,000 in 2002) are the following amounts in respect of plans that are not fully funded:

	2003 $	2002 $
Benefit obligation	20,699	19,017
Fair value of plan assets	15,964	15,292
Plan deficit	(4,735)	(3,725)

(column figures are in thousands of dollars, except for per share amounts)

12 --> Employee future benefits (continued)

The following table provides the net expense for all pension plans in the consolidated statements of earnings for the years ended December 31:

	2003 $	2002 $
Service cost	444	451
Interest on the benefit obligation	1,260	1,188
Expected return on plan assets	(1,336)	(1,510)
Amortization of past service costs	44	37
Amortization of transitional asset	(223)	(221)
Amortization of actuarial loss	186	11
Valuation allowance	323	374
Net expense on the defined benefit plans	698	330
Net expense on multi-employer defined benefit pension plans	94	411
Net expense on the defined contribution plans	94	92
Net expense for all pension plans	886	833

In addition, net expense under Company-sponsored retirement savings plans amounted to $137,000 ($137,000 in 2002).

The significant assumptions used in the measurement of the Company's accrued benefit obligations are as follows:

	2003 %	2002 %
Discount rate	6.0	6.5
Expected return on plan assets	7.5	7.5
Rate of compensation increase	4.0	4.0

Multi-employer defined benefit pension plans

The Company makes contributions to collectively-bargained, multi-employer defined benefit pension plans. These contributions are determined in accordance with the provisions of negotiated labour contracts and are generally based on the amount of wages earned. Information concerning the Company's portion of the accumulated plan benefits, plan net assets and unfunded vested benefits, if any, is not determinable. In the event of a withdrawal from the plan, the Company may be subject to a withdrawal liability under the provisions of the Multi-Employer Pension Plan Amendments Act of 1980.

13 --> Equity in joint ventures

The Company's operations include joint ventures which are accounted for by the proportionate consolidation method. The Company's 50% equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., BalTerm, L.L.P., Highland Terminals, LLC, Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., Soterm Inc., M.S.J.-Logistec Stevedoring, Quebec Maritime Services Inc. and ValTec, General Partnership.

(column figures are in thousands of dollars, except for per share amounts)

13 --> Equity in joint ventures (continued)

The Company's investments in and its proportionate share of joint venture operations are summarized as follows:

	2003 $	2002 $
Balance sheets		
Current assets	6,644	7,342
Current liabilities	(4,004)	(4,912)
Property, plant and equipment	7,108	8,156
Long-term debt	(2,188)	(2,579)
Other	(124)	(132)
Investments in joint ventures	7,436	7,875
Earnings statements		
Revenue	26,862	40,109
Expenses	25,839	34,647
Interest on long-term debt	174	175
Income taxes	(126)	1,619
	25,887	36,441
Net earnings from joint ventures	975	3,668
Cash flow statements		
Operating activities	3,196	4,552
Financing activities	(590)	(4,464)
Investing activities	(1,869)	(621)

14 --> Related party transactions

The following table summarizes the Company's related party transactions for the year:

	2003 $	2002 $
Revenue from a shareholder of a joint venture	2,419	1,876
Operating expenses from		
a shareholder of a joint venture	7,925	9,180
a subsidiary of a company subject to significant influence	7,325	3,111

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, the amounts due (to) and from related entities are as follows:

	2003 $	2002 $
A shareholder of a joint venture	23	57
A subsidiary of a company subject to significant influence	(920)	(766)

These balances are payable on demand and have arisen from the provision of services referred to above.

(column figures are in thousands of dollars, except for per share amounts)

15 --> Segmented information

The Company is organized and operates primarily in one reporting segment, maritime services. The financial information by geographic segment is as follows:

	Canada $	U.S. $	Total $
2003			
Revenue	**118,309**	**63,034**	**181,343**
Property, plant and equipment, and goodwill	**33,664**	**14,265**	**47,929**
2002			
Revenue	116,757	63,097	179,854
Property, plant and equipment, and goodwill	34,932	16,654	51,586

16 --> Contingencies and guarantees

- On September 27, 2002, a customer brought a legal proceeding against a wholly owned subsidiary of the Company. The amount claimed in punitive damages is $1,000,000. Management has reviewed the file with its legal counsel and is of the opinion that it is not founded, therefore no amount has been provided in relation to this claim.

- In 1997, a subsidiary of the Company received a grant for an amount of $1,000,000. This grant was accounted for as a reduction in property, plant and equipment. This grant is conditional upon attaining a determined payroll expense. Under default circumstances, the grant is repayable in full or in part.

- As at December 31, 2003, the Company had outstanding letters of guarantee for an amount of $3,249,000 ($2,759,000 in 2002) relating to financial guarantees issued in the normal course of business. These letters of guarantee mature within the next twelve months.

- The Company has guaranteed jointly and severally with its partner a portion of a performance bond facility of a joint venture for an amount of $1,000,000.

No amounts have been recorded in the financial statements related to the above guarantees.

17 --> Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2003.

Barge: A large cargo-carrying craft, which is usually towed or pushed by a tug, on both seagoing and inland waters.

Break-Bulk: Break-bulk is cargo that is not in bulk or containerized.

Bulk: Bulk is cargo that is generally loose and granular in nature. It can include any commodity that is stored in piles.

Cargo: The freight, goods, merchandise carried by the ship.

Cargo handling: Handling of industrial cargoes at a marine terminal.

Charterer: A company who will rent a ship to transport cargo.

Containers: Containers are standard-size metal boxes that have been designed for easy and safe transportation of goods through various intermodal transport modes – ship, rail, and truck.

Coopering: Service of repairing damaged cargo.

Cranes: Equipment used to lift cargo from the ship to the dock or vice versa.

Detentions: Unproductive hours of an operation through no fault of the stevedoring company.

Demurrage: The time used in excess of lay time.

Despatch: The time saved on lay time.

Dockage/Berthage: Tariff charged to the ship for the right to dock at the pier.

Dunnage: Plywood or other wood materials used to protect the cargo from touching the sides of the ship and other cargo during transportation.

Front-End Wheel Loader: Machinery used for the handling of bulk cargoes to/from ship, truck or conveyor.

Gantry Crane: Track-mounted, shoreside crane utilized in the loading and unloading of break-bulk cargo, containers and heavy lifts.

General Cargo: General cargo encompasses, in essence, all cargo that does not fit into any of the other market categories. It is a varied market which includes project cargo, railcars, helicopters, granite blocks, rubber, autos, tractors, windmills, etc.

Hatch: Opening in the deck of a vessel through which cargo is loaded and discharged.

Heavy Lift: Big piece of machinery, which weighs more than 10 metrics tonnes or 10 cbm – this can vary depending on the contract or the agreement – if it's less than 10 metric tonnes or 10 cbm, it will be considered as general cargo.

Hold: The area of the ship below deck in which the cargo is stored.

Lay Time: The time available to a charterer for a voyage-chartered ship's cargo operations.

LOLO - Load-On/Load-Off: A LOLO operation is when cargo is loaded and discharged over the top of the vessel using cranes or derricks.

Manifest: Legal document that identifies cargo loaded on a vessel.

Mooring Lines: The ropes and wires used to secure a vessel to the pier.

Palletized: Cargo that is secured onto a pallet for ease of shipment.

Portainer: A gantry crane used in container handling.

Railgating (Receiving/Delivering via Rail): Service of loading or discharging cargo from railcars either from/to indoor or outdoor storage.

Reefer Container/Shed: A container or warehouse designed to store refrigerated cargoes.

RORO – Roll-On/Roll-Off: A RORO operation is when cargo is loaded or discharged via a ramp located on the side or back of a specialized ship (RORO ship).

Securing/Strapping: Using material to secure the cargo in place on the ship to ensure it does not move during its voyage.

Shed: Covered transit space used in ports to receive cargo from vessel or inland transport.

Ship's Agent: A person who represents the interests of either the vessel, the shipper or the receiver.

Ship's Gear: The cranes or derricks on board the ship.

Sliding Scale: Rate based on the productivity of the stevedoring operation for particular cargo.

Stevedoring: Loading and unloading of vessels at marine terminals.

Storage Cost: Charge for storing cargo in the warehouse for a period of time.

Stuffing/Unstuffing: Service of placing cargo in or out of a container.

Tailgating (Receiving/Delivering via Truck): The service of loading or discharging cargo from trucks either from/to indoor or outdoor storage.

Tending Mooring Lines: Service of attaching or letting go the ship from the dock.

Terminal: An assigned area in a port where cargoes are prepared for loading into a vessel, train or truck, or are stored immediately after discharge from the vessel, train or truck.

T.E.U.: Twenty Foot Equivalent Unit (containers): A measurement of cargo-carrying capacity on a containership, referring to a common container size of 20 ft in length.

Throughput: Tariff charged to the shipper of merchandise for the use of a warehouse or outside area to store cargo.

Top-Lifter: A forklift equipped with a rectangular spreader that serves to lift cargo from above rather than below. Used mostly in container handling on the terminal as well as for loading/unloading trucks and railcars.

Transtainer: Mobile truck equipment with the capacity for lifting a container within its own framework. It is used for moving, and sometimes stacking containers at a container terminal.

Unitizing: Packaging of woodpulp bales into units of 6 or 8 bales.

Wharfage/Port Dues: Tariff charged to the user of the dock for the right to use the dock.

Definitions are intended to provide general knowledge. They may vary between regions or ports.

Marine Services

Stevedoring and Terminal Division

DIVISIONAL HEAD OFFICE
Logistec Stevedoring Inc.
360 St. Jacques Street, Suite 1500
Montréal, Québec H2Y 1P5
Tel.: (514) 844-9381
Fax: (514) 842-1262
E-mail: info@logistec.com
Internet: www.logistec.com

CANADA

Bayside, New Brunswick
Logistec Stevedoring (Atlantic) Inc.
Canada Enterprises Stevedoring and Terminals
Tel.: (506) 529-4769
Fax: (506) 635-1645

Churchill, Manitoba
Logistec Stevedoring Inc.
Tel.: (204) 675-2414
Fax: (204) 675-2736

Contrecœur, Québec
Logistec Stevedoring Inc.
Terminal Maritime Contrecœur
Tel.: (450) 587-2073
Fax: (450) 587-8570

Halifax, Nova Scotia
Logistec Stevedoring (Atlantic) Inc.
Tel.: (902) 422-7483
Fax: (902) 423-2013

Montréal, Québec
Logistec Stevedoring Inc.
Tel.: (514) 255-6623
Fax: (514) 259-1545

Termont Terminal Inc.
Tel.: (514) 254-0526
Fax: (514) 251-1952

Miramichi, New Brunswick
Logistec Stevedoring (Atlantic) Inc.
Tel.: (506) 622-7039
Fax: (506) 622-7612

Pointe-au-Pic, Québec
Logistec Stevedoring Inc.
Tel.: (418) 665-7571
Fax: (418) 665-4258à

Quebec Maritimes Services Inc.
Tel.: (418) 522-4701
Fax: (418) 522-5662

Québec, Québec
Logistec Stevedoring Inc.
Tel.: (418) 522-7161
Fax: (418) 522-8013

Quebec Maritimes Services Inc.
Tel.: (418) 522-4701
Fax: (418) 522-5662

Saint John, New Brunswick
Autoterm Inc.
Tel.: (506) 635-1910
Fax: (506) 635-8638

Logistec Stevedoring (Atlantic) Inc.
Brunswick Terminals
Tel.: (506) 635-4500
Fax: (506) 635-4515

Logistec Stevedoring (Atlantic) Inc.
Canada Enterprises Stevedoring and Terminals
Tel.: (506) 635-1600
Fax: (506) 635-1645

Logistec Stevedoring (Atlantic) Inc.
Forest Products Terminal
Forterm
Tel.: (506) 635-1910
Fax: (506) 635-8638

Sept-Îles, Québec
Logistec Stevedoring Inc.
Tel.: (418) 962-7638
Fax: (418) 962-7815

Sorel, Québec
Logistec Stevedoring Inc.
Tel.: (819) 379-0811
Fax: (819) 379-2996

Sydney, Nova Scotia
Logistec Stevedoring (Atlantic) Inc.
Tel.: (902) 563-4460
Fax: (902) 563-4488

Thunder Bay, Ontario
Logistec Stevedoring (Ontario) Inc.
Canadian Grain Trimmers
Tel.: (807) 345-2301
Fax: (807) 343-4243

Logistec Stevedoring (Ontario) Inc.
Tel.: (807) 344-1393
Fax: (807) 343-4243

Toronto, Ontario
Logistec Stevedoring (Ontario) Inc.
Tel.: (416) 462-0263
Fax: (416) 462-1612

Trois-Rivières, Québec
Logistec Stevedoring Inc.
J.C. Malone
Tel.: (819) 379-0811
Fax: (819) 379-2996

Valleyfield, Québec
ValTec, General Partnership
Tel.: (450) 377-6686
Fax: (450) 377-2521

UNITED STATES

Baltimore, Maryland
BalTerm, L.L.P.
Highland Terminals, LLC
Tel.: (410) 633-4415
Fax: (410) 633-4855

Bridgeport, Connecticut
Logistec USA Inc.
Logistec Connecticut
Tel.: (203) 469-1391
Fax: (203) 469-0905
Fax operations: (203) 469-1318

Brunswick, Georgia
Logistec USA Inc.
Marine Port Terminals
Tel.: (912) 264-4044
Fax: (912) 267-6352

Chicago, Illinois
Logistec USA Inc.
American Grain Trimmers
Tel.: (218) 727-8592
Fax: (218) 727-0777

New Haven, Connecticut
Logistec USA Inc.
Logistec Connecticut
Tel.: (203) 469-1391
Fax: (203) 469-0905

New London, Connecticut
Logistec USA Inc.
Logistec Connecticut
Tel.: (860) 444-1329
Fax: (860) 444-1359

Port Manatee, Florida
Logistec USA Inc.
Tel.: (941) 721-7209
Fax: (941) 729-8235

Shipping Agency Division

Québec, Québec
Ramsey Greig & Co. Ltd.
Tel.: (418) 525-8171
Fax: (418) 525-9940
E-mail:
quebec.ops@ramsey-greig.com

Sorel, Québec
Sorel Maritime Agencies Inc.
Tel.: (450) 743-3585
Fax: (450) 743-0727
E-mail:
agency@sorel-maritime.qc.ca

Thunder Bay, Ontario
Lakehead Shipping Company Limited
Tel.: (807) 345-1494
Fax: (807) 345-0467
E-mail: lakehead@logistec.com

Trois-Rivières, Québec
Ramsey Greig & Co. Ltd.
Tel.: (819) 379-2854
Fax: (819) 379-7381
E-mail:
trois-rivieres.ops@ramsey-greig.com

Navigation Division

Montréal, Québec
Transport Nanuk Inc.
Tel.: (514) 597-0186
Fax: (514) 523-7875
E-mail: aprieur@nanuk.ca

Environmental Services

Varennes, Québec
Sanexen Environmental Services Inc.
Tel.: (450) 652-9990
1-800-263-7870
Fax: (450) 652-2290
E-mail: info@sanexen.com
Internet: www.sanexen.com

Toronto, Ontario
Sanexen Environmental Services Inc.
Tel.: (416) 622-5011
Fax: (416) 622-5823

--> Corporate Information

Subsidiaries
Autoterm Inc.
Forterm (USA), Inc.
Lakehead Shipping Company Limited
Logistec Marine Agencies Inc.
Logistec Stevedoring Inc.
Logistec Stevedoring (Atlantic) Inc.
Logistec Stevedoring (Ontario) Inc.
Logistec Stevedoring U.S.A. Inc.
Logistec USA Inc.
Ramsey Greig & Co. Ltd.
Sanexen Environmental Services Inc.
Sorel Maritime Agencies Inc.

Companies Subject to Significant Influence
Quebec Railway Corporation Inc.
Sept-Îles Mooring Inc.
St. Lawrence Mooring Inc.

Joint Ventures/Partnerships
BalTerm, L.L.P.
Highland Terminals, LLC
M.S.J. – Logistec Stevedoring
Moorings (Trois-Rivières) Ltd.
Quebec Maritime Services Inc.
Quebec Mooring Inc.
Soterm Inc.
Termont Terminal Inc.
Transport Nanuk Inc.
ValTec, General Partnership

Banks
HSBC Bank Canada
HSBC Bank USA
Bank of Nova Scotia
Royal Bank of Canada
TD Bank
People's Bank
Suntrust Bank

Auditors
Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Transfer Agent and Registrar
Computershare Trust Company of Canada
1500 University Street, Suite 700
Montréal, Québec H3A 3S8

Shares Listed
Toronto Stock Exchange

Head Office
Logistec Corporation
360 St. Jacques Street
Suite 1500
Montréal, Québec H2Y 1P5

Tel.: (514) 844-9381
Fax: (514) 843-5217
E-mail: corp@logistec.com
Internet: www.logistec.com

Credits
Photography – Cover:
Sylvain Giguère

Photography – Sanexen:
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Excellence in Corporate Governance

Logistec Corporation has been awarded a prestigious Korn/Ferry – Revue Commerce Corporate Governance Excellence Award. The Board of Directors is very proud of this recognition. Good corporate governance is an important part of our company's culture and success. Our board intends to continue to be at the forefront of implementing best practices in corporate governance as they evolve in the future.

The Korn/Ferry – Revue Commerce governance award, which was in the Small Business category (annual revenues less than $250 million), was presented to Logistec on January 22, 2004.

Officers

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Chairman of the Board

Michael B. Harding, Eng.
Vice-Chairman of the Board

Madeleine Paquin
President and Chief Executive Officer

Serge Dubreuil, Eng.
Vice-President, Stevedoring

Jean-Claude Dugas, C.A.
Vice-President, Finance
Treasurer and Assistant-Secretary

Pierre Lefebvre, CHRP
Vice-President, Human Resources

Suzanne Paquin
Vice-President

Stéphane Bourque, C.A.
Corporate Controller

Ingrid Stefancic, LL.B.
Vice-President, Corporate and Legal Services
Corporate Secretary

Directors -->

1 John Springer
President
Biehl International Corporation

2 Madeleine Paquin
President and Chief Executive Officer
Logistec Corporation

3 Brian W. Mitchell, C.A.
President
Schuss Holdings Ltd.

4 David M. Mann, Q.C.
President and Chief Executive Officer
Emera Inc.

5 Hon. J. Judd Buchanan
President
Rundle Investments Ltd.

6 Pierre Martin
Chairman
Quebec Railway Corporation Inc.

7 Norman Wolfe
Secretary-treasurer
Norlau Holdings Inc.

8 Serge Dubreuil, Eng.
President
Logistec Stevedoring Inc.

9 Michael B. Harding, Eng.
Company Director

10 George Gugelmann
Private Investor

11 Suzanne Paquin
President
Transport Nanuk Inc.

- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Executive Committee
- Member of the Pension Committee

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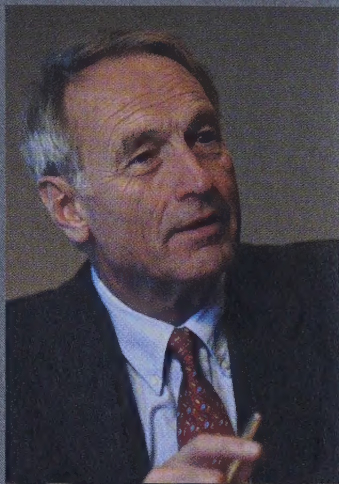

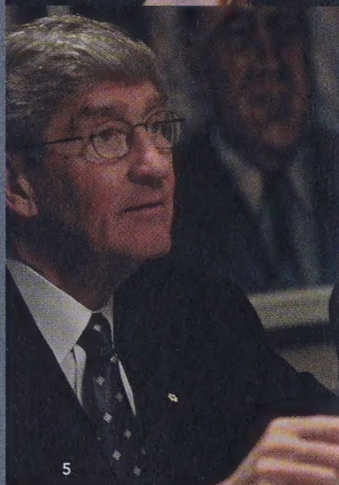
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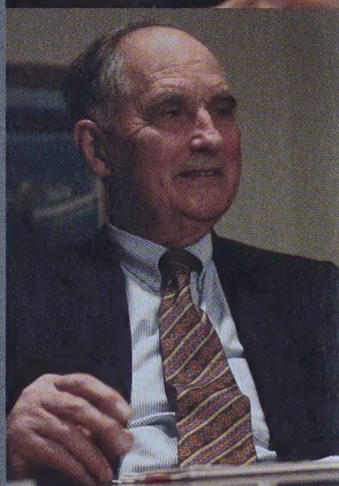
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Members of the Board of Directors

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